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**De besluitvorming over de defensiebegroting. Systeem en verandering. Een onderzoek naar structuur, ontwikkeling en poging tot ingrijpende verandering van de besluitvorming met betrekking tot de Nederlandse defensiebegroting in de jaren 1951-1980**

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*Document Version*

Publisher's PDF, also known as Version of record

*Publication date:*

1987

[Link to publication in University of Groningen/UMCG research database](#)

*Citation for published version (APA):*

Hoogen, T. J. G. V. D. (1987). *De besluitvorming over de defensiebegroting. Systeem en verandering. Een onderzoek naar structuur, ontwikkeling en poging tot ingrijpende verandering van de besluitvorming met betrekking tot de Nederlandse defensiebegroting in de jaren 1951-1980*. Eisma Edumedia.

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Download date: 05-05-2023

## Summary

This study deals with the following questions:

- a. What development has taken place in the decision-making system used for the Dutch defence budget in the period from 1951-1980?
- b. What were the background, the characteristics and the course of an attempt to introduce extensive changes in this decision-making system? How can the failure of this attempt be explained? The example used here is the attempt to introduce a system of program-budgeting in the Ministry of Defence in the 1970s.

The framework of this study corresponds with this definition of the problem. In *Part I*, consisting of Chapters 2, 3 and 4, the structure and development of the decision-making system in relation to the defence budget is central. In *Part II* (Chapters 5, 6 and 7), attention is paid to the attempt to introduce a system of program-budgeting.

In *Chapter 2*, the formulation of the defence budget is analysed from three perspectives: the foreign political perspective, the domestic political perspective and the institutional perspective. In the first two, the importance of foreign politics, domestic politics, and economic factors and developments are emphasized. The institutional perspective considers the actors that participate in the decision-making process. Some of the actors, given their institutional positions and interests, will approach the budgeting process from a primarily foreign political perspective. Then again, other actors will advocate an approach that is oriented more toward domestic politics. What perspective will dominate is to a large extent determined by the perceptions and power of those participating in it. Chapter 2 ends with a conceptual model in which the three perspectives are integrated.

*Chapter 3* deals with the procedures for decision-making used in the Netherlands from 1951-1980 for setting the defence budget. Between 1951-1974, spending ceilings set for a period of several years were used to determine the size of defence budgets. The internal division of funds among the armed forces was determined by a fixed factor. The characteristics of this ceiling system, the way in which it was applied in practice and the increasing number of objections to it are discussed. Further, the budgetary processes employed since 1975 are described. Most attention is paid to the so-called Netherlands Defence Planning Process (NDPP) introduced in the Ministry of Defence in 1978. The decision-making procedures of the Ministry as applied to the defence budget form an integral part of this NDPP. Because Dutch defence planning is closely associated with NATO planning, the

connection between NDPP and the NATO planning process is explored. The role of Parliament in decisions on the defence budget arises several times in Chapters 2 and 3.

*Chapter 4* studies in a more systematic manner the ability of Parliament to influence decisions on the defence budget and in how far it has done so. As in the previous chapter, the period under study is 1951-1980.

While Part I deals with the decision-making on the size and distribution of the Dutch defence budget since 1951, the focus in Part II is on an attempt to change that decision-making system. It concerns the effort made in the 1970s to introduce a system of program-budgeting into the Dutch Ministry of Defence.

The idea of program-budgeting was borrowed at the beginning of the 1960s from the Planning Programming and Budgeting System (PPBS) implemented by the American Defence Department (and, later, by other parts of the American government).

As described in Chapter 3, during the late 1960s in the Netherlands, increasing criticism was levelled at existing budgetary decision-making practices. Criticism of the process of defence budgeting was primarily prompted by the difficult financial situation in which defence policy found itself at the end of the 1960s. In this period, a growing gap appeared between the financial consequences of the planned military policy on the one hand and the budgetary resources which the government and Parliament were willing to appropriate for defence on the other. In addition, a lopsided growth had developed in the structure of defence expenditure. Operating expenses, especially personnel costs, had risen relatively steeply at the expense of the materiel budget. Extensive weapon procurement programmes to which the Netherlands was committed through NATO threatened to become unpayable. The uncontrollable course of defence spending was seen from various sides as a threat to the future of Dutch defence and pressure was applied to the Ministry of Defence to put its affairs in order.

Against this background, an official decision was made to institute a system of program-budgeting. Program-budgeting was presented by its advocates as a rational method by which to arrive at an optimal budget on the basis of substantial policy considerations. It was meant to provide the Minister of Defence a management tool with which to repair the (broken) relationship between military planning and decisions on the defence budget. The negative consequences of the opaque, incremental budget practices that had led to the uncontrolled increase in defence spending would become a thing of the past after the implementation of program-budgeting. Such was the expectation.

In practice, little came of the official intention to rationalise decision-making at the Ministry by implementing a system of program-budgeting. At the end of the

1970s, the attempt to introduce it was becalmed and died a silent death.

*Part II* is devoted to the question of why this attempt to rationalise decision-making on the defence budget ended in failure. In Chapter 5 a detour is made to the US, where PPBS was first developed and employed. At the end of the 1960s, the American PPBS was the model for the various attempts to rationalise decision-making that were made in several Western European countries, including the Netherlands. But it is not only its role as the model for the reform attempt by the Dutch Ministry of Defence that makes it interesting. Insight into the nature of the problems that PPBS encountered in the Pentagon can act as an 'eye opener' to fix attention on the factors that may also have caused the failure of the attempt to introduce program-budgeting in the Netherlands. The fact that, in contrast to the Dutch situation, an extensive literature exists concerning the development, the implementation and the practice of PPBS in the Pentagon forms an additional reason to include the experience of the American Defence Department in this study.

The historical background and theoretical characteristics of PPBS are dealt with in *Chapter 5*. Further, attention is paid to PPBS in the Pentagon as it should have worked and as it actually worked. Finally, an explanation is offered for the discrepancy between the theory of PPBS and the practice. This explanation points to the importance of resistance in the defence establishment to PPBS motivated by power politics.

*Chapter 6* presents several theoretical reflections on the problems that surrounded PPBS in the United States. As an example of an economic-rational decision-making model, PPBS rests on the theoretical presuppositions concerning the functioning of governmental organisations of the rational decision-making model. By illuminating PPBS from two other perspectives on governmental decision-making developed in public administration science, insight can be gained into the reasons for the repeated failure of applications of economic-rational models in a bureaucratic-political context.

In *the last chapter*, we return to the Dutch defence establishment in the 1970s and the attempt to implement a system of program-budgeting there. The study concentrates on the question of what factors led to the failure of this attempt to rationalise decision-making on the defence budget. A distinction is made between endogenous and exogenous factors.

Endogenous factors include the problems and obstacles that are directly related to the effort of operationalising program-budgeting and integrating it into the organisation. Dovetailing with the theoretical exercise in Chapter 6, attention is paid to the question of in how far the proposals for program-budgeting could depend on support within the organisation and what 'technical' problems the construction and implementation of program-budgeting brought with it.

In addition to these endogenous factors, attention is also paid to exogenous factors. That is to say, the developments outside the direct context of the activities surrounding program-budgeting, but which have influenced it.

Research along these lines exposed a number of obstacles that blocked the progress of program-budgeting and which eventually led to the failure of this attempted reform.

The causes of this failure can be grouped into three categories:

1. the complexity of the concept of program-budgeting;
2. lack of motivation, and resistance in the defence organisation;
3. developments in the environment.

#### *The complexity of the concept of program-budgeting*

Program-budgeting makes difficult demands on the manner in which the organisation collects, organises and processes information. In practice, the 'technical' realisation of these demands appeared to create large problems. The problems which developed relating to the development of two subsystems of program-budgeting, namely a cost information system and a programme structure are studied in this light.

#### *Lack of motivation, and resistance in the defence organisation*

The decision by the political leadership of the Ministry of Defence to implement program-budgeting was not supported by the rest of the defence establishment. With the aid of the organisational-process and bureaucratic-politics models discussed in Chapter 6, the following causes for this lack of acceptance are suggested.

*Scepticism* among the majority of defence officials about the technical feasibility of such a complex concept as program-budgeting.

*Resistance* against program-budgeting due to power politics:

- the centralism of program-budgeting was seen by the armed forces as a threat to their autonomy;
- program-budgeting made the defence policy process transparent. Under program-budgeting funds would have been distributed according to the demonstrable contribution of the various branches to the realisation of defensive goals set higher up rather than on the basis of an arbitrary factor determined in the past;
- Program-budgeting meant interfering with tried and true methods. The new approach to the budgeting process undermined, among other things, the position of officials accustomed to the routines and techniques of the traditional budget process.

Program-budgeting advocates saw the increase in the efficiency of the defence

establishment as the essence of the reform plans. They ignored the power political aspect of the proposed reforms. In contrast, the attitudes and behaviour of the various groups and people from the civil and military bureaucracies involved were determined by the expectations they had about the strengthening or weakening of their positions and influence as a result of the proposed implementation of program-budgeting.

Lack of support for program-budgeting within the defence establishment worked against the realisation of the plans for reform. The strategy followed by the Committee for Program-budgeting (a gradual, step by step approach with participation by the parties involved), which had aimed for broader support within the organisation to mobilise the reform process, did not achieve the desired result. On the contrary, because of this strategy, progress was dependent on the cooperation of groups whose interests were not served by the proposed system of program-budgeting.

The continuing resistance to program-budgeting was translated into resistance against the analyses of objectives as well as against the cost information system. The result was that activities relating to both of these subsystems quickly developed a life of their own, which led to their connection with program-budgeting being pushed further and further into the background.

## **Developments in the Environment**

### **a. *Changes in planning***

Program-budgeting is a product of the economic-rationalistic approach to planning. At the end of the 1960s, expectations were high for the applicability of this approach, in political and official circles as well as in the scientific literature. Partly because of the disappointing results of the approach abroad (PPBS in the United States) and in the Netherlands (namely, the activities of the COBA), a reconsideration of the theoretical assumptions of this method of government decision-making took place in the literature.

Criticism of the 'orthodox' concept of planning on which program-budgeting was based led to growing scepticism about the desirability and possibility of introducing such a system in a government organisation. This change in the intellectual climate weakened the arguments put forward by the proponents of program-budgeting and strengthened the position of those who, for various reasons, objected to the introduction of this system.

### **b. *Program-budgeting in the shadow of the reorganisation process***

There is a great deal of overlap between the starting points and objectives of program-budgeting and changes in the upper levels of the defence structure, which were initiated at the same time. There was no attempt to coordinate both

attempts at reform. They each had their own organisational embedment and dynamic. The priority given to the reorganisation was at the expense of the ability to implement a system of program-budgeting. First, because carrying out the reorganisation required a great deal of energy from the leadership, which was detrimental to their involvement in and support for the attempt to introduce program-budgeting. An essential condition for the success of an extensive reform programme, continuing support from the political leadership, was withheld because of the priority given to the reorganisation. Second, because of this reorganisation, a certain fatigue arose in the defence establishment which drained its potential for change. Aspirations for the desired functioning of the defence organisation were accommodated to the results achieved. Implementation of program-budgeting was no longer considered urgent and was dropped from the agenda.

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